



file
ABSTAINERS' INSURANCE COMPANY
24 PEEL ST., SIMCOE, ONT., BOX 400.

ANNUAL REPORT 1973

Can corp

OFFICERS

R. B. Hare, M.D.; F.R.C.S., Chairman of the Board
S. R. Bernardo, President
R. G. Groom, Q.C., Vice-President
R. S. Mills, Q.C., Secretary
S. M. Fletcher, Treasurer
C. A. Blair, Vice-President & Managing Director

AR05

DIRECTORS

S. R. Bernardo
C. A. Blair
J. H. Disher
S. M. Fletcher
R. G. Groom, Q.C.
R. B. Hare, M.D.; F.R.C.S.

R. S. Mills, Q.C.
A. M. Waters
J. G. Webb
P. L. Wilson

PRESIDENT'S REPORT

to the Shareholders of Abstainers' Insurance Company:

The outstanding feature of the operation of the Company for 1973 was the re-establishment of the growth pattern, after a temporary period of consolidation in 1971, and the final phasing out of the Company's business in the Province of Manitoba in 1972. Total premium income increased by over \$400,000 or nearly 14%. Property insurance premiums exceeded those of 1972 by 35% to \$342,000, and automobile insurance by 9% to over \$3,000,000. This increase was common to both provinces of Ontario and Alberta, and was accomplished without any rate increase until the last quarter of the year. After two and a half years without any increase on any class of business in either province, it was necessary to introduce modest increases on property in both provinces, and on auto insurance in Ontario only.

Reinsurance costs were reduced during the year in spite of the increased volume, and will be further reduced in 1974. In spite of an inflation rate of over 9% in 1973, the ratio of expenses to written premiums was reduced.

A return to a nominal underwriting profit position in 1973 after a loss of \$150,000 in 1972 enabled the Company to show a slightly higher net profit in the current year.

Ordinary investment income from interest and dividends increased by 7.5% during the year which, along with a nominal underwriting profit, considerably reduced the dependency of earnings on profit from the sale of investments which was evident in 1972.

In preparation for the possible introduction of "No-Fault" Automobile Insurance, the Company is continuing to strengthen its claim staff for any changeover period.

If there is a reduction in driving exposure due to the energy crisis, this should tend to reduce the number of claims in 1974.

S.R. BERNARDO,

President.

ABSTAINERS' INSURANCE COMPANY
BALANCE SHEET AS AT DECEMBER 31, 1973

ABSTAINERS' INSURANCE COMPANY
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1973

	1973	1972
ASSETS		
Cash	\$ 226,444	172,962
Accounts receivable	49,752	48,525
Investments (Note 1)	4,568,446	4,221,130
Accrued interest on investments	71,466	53,429
Trust funds for claims of reinsurers	55,000	33,000
	<u>\$4,971,108</u>	<u>4,529,046</u>
LIABILITIES		
Provision for unsettled claims and adjustment expenses	\$1,507,456	1,577,380
Accounts payable and accrued liabilities	124,928	147,953
Income taxes payable	48,000	-
Unearned premiums at 85%	1,354,535	1,171,511
Provision for unsettled claims of reinsurers	55,000	33,000
	<u>3,089,919</u>	<u>2,929,844</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized		
2,000 5% cumulative preference shares of \$100 each		
300,000 common shares of \$1 each		
Issued		
2,000 preference shares	200,000	200,000
126,614 common shares	126,614	126,614
CONTRIBUTED SURPLUS	457,104	457,104
RETAINED EARNINGS	<u>1,097,471</u>	<u>815,484</u>
	<u>1,881,189</u>	<u>1,599,202</u>
	<u>\$4,971,108</u>	<u>4,529,046</u>

PREMIUMS WRITTEN

PREMIUMS EARNED

EXPENSES

Claims and adjustment expenses
Commissions
Other expenses
Salaries and employee benefits

UNDERWRITING PROFIT (LOSS)

Investment income
Gain on sale of investments

Provision for income taxes

EARNINGS BEFORE EXTRAORDINARY ITEM

Extraordinary item - reduction in income tax provision due to losses carried forward from prior years

NET EARNINGS

EARNINGS PER SHARE - after preferred dividend

Before extraordinary item

After extraordinary item

Signed on behalf of the Board:

C. A. Blair Director
C.A. Blair
S. M. Fletcher Director
S.M. Fletcher

Riddell, Stead & Co.

CHARTERED ACCOUNTANTS
P.O. Box 431, Royal Trust Tower, Toronto Dominion Centre, Toronto

To The Shareholders
Abstainers' Insurance Company

We have examined the balance sheet of the company as at December 31, 1973 and the statements of financial position for the year then ended. Our examination included a review of the accounting records and such tests of accounting records and procedures as we considered necessary in the circumstances.

In our opinion these financial statements of the company as at December 31, 1973 and for the year then ended, in accordance with accounting principles generally accepted in Canada, are presented fairly in all material respects in the financial statements of the insurance laws of Canada, applied or otherwise.

January 22, 1974

ABSTAINERS' INSURANCE COMPANY

RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1973

ABSTAINERS' INSURANCE COMPANY

STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1973

1973	1972
<u>\$3,376,787</u>	<u>2,966,710</u>
<u>\$2,996,842</u>	<u>2,704,235</u>
1,927,345	1,888,694
549,353	467,707
312,450	279,829
206,968	218,344
<u>2,996,116</u>	<u>2,854,574</u>
726	(150,339)
277,936	264,456
92,979	197,630
370,915	462,086
371,641	311,747
126,000	67,970
<u>245,641</u>	<u>243,777</u>
78,000	67,970
<u>\$ 323,641</u>	<u>311,747</u>
<u>\$ 1.86</u>	<u>1.85</u>
\$ 2.48	2.38

RETAINED EARNINGS AT BEGINNING OF YEAR

Net earnings for the year

Dividends paid, including preferred dividends
of \$10,000

RETAINED EARNINGS AT END OF YEAR

1973	1972
\$ 815,484	545,391
323,641	311,747
1,139,125	857,138
41,654	41,654
<u>\$1,097,471</u>	<u>815,484</u>

Notes to Financial Statements

1. INVESTMENTS, at amortized cost (quoted market value 1973 - \$4,473,177;
1972 - \$4,460,199)

Bonds
Preferred stocks
Common stocks

1973	1972
\$ 3,116,888	2,799,870
385,044	383,423
<u>1,066,514</u>	<u>1,037,837</u>
<u>\$ 4,568,446</u>	<u>4,221,130</u>

2. INCOME TAXES

The taxable income for the current year and prior years has been increased or decreased by the deduction of unearned premiums in excess of or less than the provision recorded in the accounts. The accumulated amount of deferred income taxes, not recorded as a liability in the accounts, resulting from the claiming of the excess for tax purposes is \$123,000 after an addition of \$11,400 resulting from the provision for the current year.

3. REMUNERATION OF DIRECTORS AND OFFICERS

The fees received during the year by the directors amounted to \$9,800. In addition, the remuneration received during the year by the five highest paid officers and employees, including one director amounted to \$68,583.

4. COMPARATIVE FIGURES

The financial statements include comparative figures for 1972 which were reported upon by other auditors.

AUDITORS' REPORT

Abstainers' Insurance Company as at
ends and retained earnings for the year
and review of the accounting procedures
supporting evidence as we considered

present fairly the financial position of
results of its operations for the year
principles and practices in compliance with
this consistent with that of the preceding

Richard K. M. O.

CHARTERED ACCOUNTANTS



ABSTAINERS' INSURANCE COMPANY, 24 Peel Street, Simcoe, Ontario

A Division of Maplex Management & Holdings Limited